INITIAL STATEMENT OF REASONS

California Alternative Energy and Advanced Transportation Financing Authority

Sections 10091.1, 10091.2, 10091.3, 10091.4, 10091.5, 10091.6, 10091.7, 10091.8, 10091.9, 10091.10, 10091.11, 10091.12, 10091.13, 10091.14, 10091.15 Title 4, Division 13, Article 5 of the California Code of Regulations.

INTRODUCTION

The California Alternative Energy and Advanced Transportation Financing Authority ("Authority" or "CAEATFA"), organized and operating pursuant to Division 16 (commencing with Section 26000) of the California Public Resources Code—pursuant to the authority vested in it by the Public Resources Code Section 26009 to promulgate regulations, and acting pursuant to the Memorandum of Agreement ("MOA") between CAEATFA and the California Public Utilities Commission ("CPUC") which sets forth the policies and procedures for establishment of a series of ratepayer-funded pilot programs as authorized and described in the initial CPUC-approved Decision 13-09-044, *Decision Implementing 2013-14 Energy Efficiency Financing Pilot Programs*, issued September 20, 2013 and subsequent CPUC actions[1]—proposes to amend the Residential Energy Efficiency Loan Assistance Program ("REEL Program" or "Program") regulations described below after considering all comments, objections, and recommendations regarding the proposed action.

The REEL Program launched in July 2016, the first of the series of pilot programs to do so. To date, CAEATFA staff has enrolled and on-boarded several financial institutions, as well as over 197 contractors, and enrolled 152 loans for home energy efficiency upgrades totaling $2,673,458 in claim eligible principal. Through these experiences, CAEATFA staff identified solutions to several Program implementation challenges as well as opportunities for improvement. As issues arose and lessons were learned throughout the Program development and implementation, CAEATFA advocated for specific changes to the Program to broaden the relevance to the private market and to streamline operations for participants. On March 29, 2017, the CPUC issued Decision 17-03-026 which granted CAEATFA some additional flexibility to modify the REEL Program from previous guidance Decisions. The key changes to the Program were:

- Combining Investor Owned Utility (IOU) credit enhancement funds into single accounts to allow for statewide, consolidated loan loss reserve accounts for lenders and to provide a much more valuable credit enhancement for the same overall cost;
- Decoupling energy efficiency measure eligibility for financing from the IOU rebate and incentive programs, allowing for a true test of financing as a mechanism to encourage efficiency retrofits and supporting much broader measure eligibility;
- Supporting financing measures to code, allowing for additional project uptake; and
- Improving process efficiencies by removing forms proven to be burdensome to Program participants.

[1] CPUC has issued additional actions addressing issues related to the implementation of the pilot programs, including Decision 15-06-008, Decision 15-12-002, Decision 17-03-026.

To incorporate the above key changes and other lessons learned, CAEATFA implemented a phased approach, as some could be quickly enacted while others would take more time to research and develop. These efforts were necessary, from CAEATFA's perspective, to facilitate Program uptake and increase its effectiveness during the two year pilot period. CAEATFA proposed draft emergency regulations, held a lender roundtable to solicit input, and conducted a public workshop, followed by a 10-day public comment period. The CAEATFA board approved the emergency regulations on August 15, 2017, which then OAL approved (File No. 2017-0823-04E), and they took effect on September 5, 2017. The modification broadly reduced the number of forms, certifications and other operational hurdles in the Program. The modification provided clarification on eligibility questions that arose during initial operations. Additionally, the modification made the credit enhancement more attractive to lenders by consolidating four utility-specific loss reserve accounts into a single, statewide account.

Upon completing additional research, CAEATFA proposed modifications to the emergency re-adoption, which included:

- Adding the voluntary Credit Challenged Program to the REEL Program to incentivize lending to borrowers with low credit scores by allowing those lenders to receive an additional loan loss reserve contribution of 20%;
- Adding a list of Eligible Energy Efficiency Measures established by CAEATFA in creating a statewide, streamlined, simpler list of measures;
- Adding the option of using income of the census tract to determine Low-to-Moderate Income as it was found by CAEATFA impractical for participating lenders to try to ascertain family size as the sole method of determination; and
- Updating the methodology for rebalancing of accounts to allow for recapturing of the original contribution that was made for a particular loan at the end of the fiscal year in which the loan was paid in full, as well as reducing the recapture amount.

For the re-adoption of emergency regulations with modifications, CAEATFA made publicly available the proposed modified emergency regulations, held stakeholder discussions soliciting input, and conducted a public workshop, followed by a 10-day public comment period. The CAEATFA Board approved the re-adoption of emergency regulations with modifications on February 12, 2018. The re-adoption of emergency regulations with modifications was approved by OAL (File No. 2018-0222-01EE) on March 5, 2018.

Now the Authority is soliciting input for any modifications or amendments to these proposed regulations in completing the Certificate of Completion through the regular rulemaking process. These modifications and proposed regulations are substantially similar to OAL File No. 2017-0823-04E and OAL File No. 2018-0222-01EE, with some modifications.

The proposed amendments duplicate or overlap state or federal statute or regulations which are cited as "authority" or "reference" for the proposed regulations and the duplication or overlap is necessary to satisfy the "clarity" standard of Government Code Section 11349.1(a)(3).

General Amendment

Subsection reference numbers changed throughout the text to accommodate new sections and the removal of sections.

SECTION-BY-SECTION ANALYSIS

SECTION 10091.1. DEFINITIONS

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   None of the CPUC Decisions or other governance actions define all of the terms necessary to implement this financing program. This section provides amended and new definitions used in the regulations to ensure that stakeholders and users are provided a clear and transparent description of Program requirements that is consistent with the Decisions and governing documents.

2. Specific Purpose of the Regulation.

   10091.1(b): The term "Bill Impact Statement" is being updated to reflect that "Qualified Contractor" was changed to "Participating Contractor."

   10091.1(i): "Credit-Challenged Borrower" was newly added to define borrowers with credit scores between 580 and 640, defining the borrower requirement to participate in the "Credit-Challenged Program."

   ~~**10091.1(j):**~~ The term "Customer Data" was removed as it related to the Customer Data Release Form, which is being removed from the Program.

   10091.1(j): The term "Credit-Challenged Program" was newly added to define an optional program in which lenders can access an increased credit enhancement for making loans to borrowers with credit scores between 580 and 640. It is described more fully in Section 10091.8(l)(1)(B).

   ~~**10091.1(k):**~~ The term "Customer Data Release Form" was removed to reflect the removal of this form from the Program in order to streamline Program operations for contractors, lenders, and borrowers.

   10091.1(k): The term "Credit Enhancement Basis" was newly added to clarify how CAEATFA calculates Loan Loss Reserve (LLR) contributions for enrolled lenders. There are no changes as to how the LLR contribution is calculated.

10091.1(m): The term "Eligible Contractor" was amended to include the requirement that the Contractor's license must not have been the subject of disciplinary action by the Contractors State License Board (CSLB) within the previous 12 months.

10091.1(n): The term "Eligible Energy Efficiency Measures" or "EEEMs" was amended to clarify that measures eligible for financing under the Program are now established by CAEATFA and are no longer restricted to the IOUs' rebate and incentive programs, and to permit financing of any measure eligible for an IOU rebate or incentive program, even if not identified as an EEEMs, assuming the rebate is sought. Specific language regarding demand response was removed as it was redundant with the updated language in which any measure is permitted for financing if eligible for an IOU rebate and incentive program.

10091.1(o): The term "EEEMs ID" was amended to reflect that CAEATFA, instead of the IOUs, assigns the specific numbers that correspond to an Eligible Energy Efficiency Measure.

10091.1(p): The term "EEEMs Measure Name" was updated to reflect that CAEATFA, instead of the IOUs, may assign the specific measure name.

10091.1(s)(1): This subsection of the term "Eligible Improvements" was updated to reflect that "Participating Contractor" was renamed "Qualified Contractor." A section reference was also updated.

10091.1(s)(2)(A): This subsection of the term "Eligible Improvements" was amended to reflect CAEATFA will now determine the list of EEEMs, to clarify that electric upgrades may be made when an IOU is providing electricity, and gas upgrades may be made when an IOU provides gas. Section references were also updated.

10091.1(t)(2)(A): This subsection of the term "Eligible Loan" was amended to include UCC-1 fixture filings in loan terms, allowing lenders to place a priority on the loan and thus offering a secured loan product.

10091.1(t)(2)(D): This subsection of the term "Eligible Loan" was expanded to permit the REEL financing to pay off existing debt if both loans are made within three months for the same project, to better align with industry practices and address financing challenges.

10091.1(u): The term "Eligible Property" was amended to clarify that for rented or leased properties, measures not eligible for self-installation require the owner's consent.

10091.1(u)(1): The subsection of the term "Eligible Property" was amended to clarify that mobile and manufactured homes qualify, provided that the foundation is permanent and site-built.

10091.1(z): The term "Loss Reserve Account" was amended to reflect the change to only one account for all IOUs combined instead of individual accounts per IOU.

10091.1(bb): The term "Loss Reserve Reservation" was amended to reflect the change to only one account for all IOUs combined instead of individual accounts per IOU.

10091.1(cc)(1): The term "Low-to-Moderate Income" or "LMI" was amended to clarify that in order to qualify a borrower as LMI, a lender could assume a family size of four, and is required to take into account spousal income, if applicable.

10091.1(cc)(2): The term "Low-to-Moderate Income" or "LMI" was amended to add a second option for Lenders to determine if a borrower is LMI by using the income of the associated census tract as a proxy.

10091.1(dd): The term "Participating Contractor" renamed the term "Qualified Contractor" (**see struck-through Section 10091.1(kk) in regulations**) to clarify that a contractor is participating in the Program, and not just qualified to participate.

10091.1(ii): The term "Program Holding Account" renamed the term "IOU-Program Holding Account" (**see struck-through Section 10091.1(y) in regulations**) to reflect changes to the Credit Enhancement structure for the Program, which allows one holding account, instead of separate individual accounts, for the IOUs.

10091.1(kk): The term "Program Reservation Account" renamed "IOU-Program Reservation Account" (**see struck-through Section 10091.1(z) in regulations**) to reflect changes to the Credit Enhancement accounting structure for the Program, which allows one reservation account, instead of individual, for the IOUs.

10091.1(mm): The term "REEL Borrower Form" was added to clarify the name of a Program form that obtains borrower certifications about energy efficiency projects.

10091.1(oo): The term "Self-Installer" was amended to clarify that a Self-Installer can install Eligible Improvements in addition to certain EEEMs, and to update section references.

10091.1(qq): The term "Title 20" was added to clarify and establish that the minimum efficiency specifications that CAEATFA set for the EEEMs list rely on Title 20 (appliance standards of the California Code of Regulations).

10091.1(rr): The term "Title 24" was added as the minimum efficiency specifications that CAEATFA set for the EEEMs list rely on Title 24 (building code) of the California Code of Regulations.

10091.1(tt): The term "Trustee" was amended to reflect the change to one account for all IOUs combined instead of individual accounts per IOU.

General Amendment: Several section numbers were changed to ensure that definitions remained in alphabetical order given the removal of previous definitions and the additions of new ones.

3. Necessity.

10091.1(b): It was necessary to amend the term "Bill Impact Statement" as the term "Qualified Contractor" was changed to "Participating Contractor" to add additional clarity to the regulations.

~~**10091.1(j) and (k)**~~: Staff found the removal of the terms "Customer Data" and "Customer Data Release Form" necessary to reflect CAEATFA's decision to remove this process from the Program. The raw energy consumption data that borrowers consented to provide through this form was expensive to transmit and store, not valuable from a public reporting standpoint, and created a barrier to the Program activity. CAEATFA and the CPUC are exploring alternate ways of information sharing.

10091.1(i) and (j): The newly defined terms "Credit-Challenged Borrower" and "Credit-Challenged Program" are necessary to clearly implement the Credit-Challenged Program in order for the pilot to test whether lenders would be willing to offer credit to borrowers with lower credit scores that might not otherwise have access to capital for energy efficiency retrofits. A credit score below 640 was chosen to define Credit-Challenged Borrower in the Credit-Challenged Program because it was found that lenders were reluctant to offer personal loans to those with credit scores under 640, and if they did, interest rates were higher than those for borrowers with credit scores of 640 and above. One intent of the CPUC issuing Decision 13-09-044 is to test if the REEL Program could increase access to capital for energy efficiency retrofits in underserved communities, and these subsections are necessary in testing that. This will assist lenders in expanding their underwriting beyond the lender's typical standard by receiving an increase in credit enhancement.

10091.1(k): The newly defined term "Credit Enhancement Basis" was necessary to clarify and remove confusion regarding how CAEATFA calculates Loan Loss Reserve (LLR) contributions for enrolled lenders. There are no changes as to how the LLR contribution is calculated.

10091.1(m): It was necessary to amend the term "Eligible Contractor" to improve consumer protections by screening out contractors that are under active or recent, within the previous twelve months, discipline by the CSLB. The Authority determined that a twelve month period was a reasonable amount of time to enable an Eligible Contractor to cure any issues identified by CSLB and adopt appropriate business practices. As a ratepayer-funded program it is necessary to have consumer protections, and CAEATFA found that existing regulations did not adequately address consumer protection risks.

10091.1(n): It was necessary to amend the term "Eligible Energy Efficiency Measures" or "EEEMs" to allow CAEATFA to implement a simple and streamlined, statewide list of eligible measures which will assist in attracting and retaining Program participants and increase operational efficiencies. This amendment is consistent with CPUC Decision 17-03-026 as the inclusion of measures that are eligible under an IOU, REN, or CCA rebate and incentive program ensure the Program can finance IOU, REN and CCA projects. The EEEMs list as previously contemplated was complicated and hindered the use and growth of the Program.

10091.1(o) and (p): It was necessary to amend the terms "EEEMs ID" and "EEEMs Measure Name" for operational efficiencies, and to be consistent with the CPUC Decision 17-03-026 to reflect that CAEATFA, instead of the IOUs, establishes and implements the EEEMs list and any names and numbers associated with it.

10091.1(s)(1): It was necessary to amend this subsection of the term "Eligible Improvements" to reflect that the term "Participating Contractor" was renamed "Qualified Contractor" and to update a section reference.

10091.1(s)(2)(A): It was necessary to amend this subsection of the term "Eligible Improvements" to reflect CAEATFA will now determine the list of EEEMs, which is consistent with CPUC Decision 17-03-026. It was necessary to create a single list of EEEMS as there was a barrier to Program uptake with the pre-existing bundling and modeling requirements established by each IOU list. As each IOU had their own list, it made it confusing to the Program participants as to which measures qualified given a borrower might be served by various IOUs—one for electricity and another for gas. It was also necessary to amend this subsection to clarify that electric upgrades may be made when an IOU is providing electricity, and gas upgrades may be made when an IOU provides gas, to ensure ratepayer funds are being used appropriately. Section references were also updated.

10091.1(t)(2)(A): It was necessary to amend this subsection of the term "Eligible Loan" in order for the Program to be more relevant to industry and market standards. Lenders wanted the option to add a secured loan product to the Program through the use of UCC-1 fixture filings, which is common practice in solar financing. Borrowers expressed interest in procuring a single loan to finance solar and energy efficiency retrofits, but were unable through the Program due to the previous restriction on UCC-1 fixture filing. With the addition of UCC-1 fixture filings in the Program, it will be possible for lenders to provide a single loan for solar and energy efficiency retrofits, with only the energy efficiency retrofits being credit enhanced through the Program, and to potentially offer better financing options. This change was necessary to effectively expand financing options available.

10091.1(t)(2)(D): It was necessary to amend this subsection of the term "Eligible Loan" to incorporate industry practices of lenders providing short-term construction loans. Lenders wanted to offer borrowers financing for down payments on energy equipment prior to receiving a Program loan, and Program requirements had to be changed to allow

for this. The time period of three months was determined by CAEATFA, with input from lenders, to be appropriate to provide sufficient time for the project to be completed while ensuring that financing is for new energy efficiency projects under the Program, not for refinancing previous projects completed outside the Program.

10091.1(u): The amendment of the term "Eligible Property" was necessary to expand access to the Program to more Californians by clarifying that renters and leasers can install self-installation measures without the owner's consent. CAEATFA received requests for clarification from lenders as potential borrowers had approached them with the question. As these measures are deemed safe for self-installation, there is no safety concern and these measures are not major retrofits, such as the measures ineligible for self-installation.

10091.1(u)(1): This subsection to of the term "Eligible Property" was necessary to expand access to the Program to more Californians by making manufactured and mobile homes eligible. Mobile homes are restricted to site built foundations to ensure they are dwellings and not vehicles, consistent with lending industry standards.

10091.1(z): It was necessary to amend the term "Loss Reserve Account" to be consistent with Decision 17-03-026, which combined individual IOU accounts into a single account for all IOUs.

10091.1(bb): The amendment to this subsection was necessary to be consistent with Decision 17-03-026, which combined individual IOU accounts into a single account for all IOUs.

10091.1(cc)(1): It was necessary to amend this subsection of "Low-to-Moderate Income" or "LMI" to clarify the data lenders collect regarding the household income methodology. CAEATFA had previously defined LMI by referring to the California Department of Housing & Community Development's (HCD) annual publication on household income limits and family size, as it was required in Decision 13-09-044. The definition of LMI was important not just for reporting purposes because part of the goal of Decision 13-09-044 was to target funds to the low-to-moderate income communities, but also to assist in targeting Program assistance and providing a 20% Loan Loss Reserve (LLR) contribution (as opposed to 11%) to the Lender's LLR account for LMI borrowers (those that may present a higher lending risk).

Discussion with lenders revealed that standard industry practices for underwriting and loan origination preclude many lenders from identifying spousal or household incomes when there is a single loan applicant, which was initially contemplated by CAEATFA to ensure accurate reporting and compliance. Lenders will need to inform CAEATFA which methodology, discussed in this subsection and Section 10091(cc)(2), they used to make their LMI determination to ensure data is reported accurately. It was necessary to maintain this option to provide flexibility for future lenders that may have the capacity to collect the data.

10091.1(cc)(2): It was necessary to add this subsection of "Low-to-Moderate Income" or "LMI" to establish a second alternative method for lenders to determine a borrower's LMI status. The method in 10091.1(cc)(1) was not effective enough as industry standards preclude many lenders from identifying spousal or household incomes when there is a single loan applicant. For this second methodology, lenders determine if a borrower is LMI by using the income of the census tract as a proxy. LMI will be defined as a tract with an Area Median Income (AMI) no greater than 120% of the Metropolitan Area, County or State AMI. This is consistent with HCD's definition of Moderate Income. This methodology was chosen because census data is easily accessible to lenders and not overly burdensome, and is a commonly understood data point for policy makers and the public. Lenders will need to inform CAEATFA which methodology they used to make their LMI determination to ensure data is reported accurately. It was necessary to identify a methodology that is effective with industry standards to ensure the Program is meaningful for participants.

10091.1(dd): It was necessary to have "Participating Contractor" replace the term "Qualified Contractor" to bring a clearer meaning for the Program users. CAEATFA wanted to clarify the term to identify contractors who are actively participating in the Program rather than those who are qualified as eligible to participate in the Program.

10091.1(ii) and (kk): It was necessary to have the term "Program Holding Account" rename "IOU-Program Holding Account" (formerly Section 10091.1(y)) and the term "Program Reservation Account" rename "IOU-Program Reservation Account" (formerly Section 10091.1(z)) to be consistent with Decision 17-03-026 to reflect changes to the credit enhancement structure of the Program. The credit enhancement funds from the four IOUs will be held in a single, statewide LLR account for enrolled lenders. This change was necessary because CAEATFA and lenders found it too administratively burdensome to maintain separate accounts for the IOUs with little public benefit. It was also more attractive to lenders to have a single more accessible larger loan loss reserve fund.

10091.1(mm): The newly defined term "REEL Borrower Form" was necessary to clearly identify the form that obtains borrower certifications about energy efficiency projects.

10091.1(oo): The REEL Program provides borrowers with the flexibility to use 30% of financing for home improvements that are non-energy efficiency measures, like water efficient landscaping or painting. During the course of Program implementation, lenders encountered borrowers who wanted to do this additional work themselves and use the proceeds of the loan to purchase supplies. It was necessary to amend the term "Self-Installer" to include this provision in the Program and broaden the Program's applicability and usability.

10091.1(qq) and (rr): The newly defined terms "Title 20" and "Title 24" are necessary for clarification and to specify the requirement for participants of the Program to follow current appliance and building codes, as CAEATFA intends for the minimum efficiency

specifications of the EEEMs list to be current with the most current versions of Title 20 and Title 24 as they are updated and required by law.

10091.1(tt): It was necessary to amend the term "Trustee" as the Program now has only one account for all IOUs instead of individual accounts as authorized in Decision 17-03-026.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

The Authority relied on experts from both the public and private sectors, and rules and regulations for similar programs in California and other states to develop the definitions used in this section. The criteria, as defined in these regulations, were established in consultation with the California Public Utilities Commission and investor-owned utilities staff. The Authority relied upon all CPUC Decisions and the following related CPUC documents (subsequently referred to collectively throughout this document as the "Proceeding") in proposing the adoption of these regulations:

- Decision 13-09-044, Decision Implementing 2013-14 Energy Efficiency Financing Pilot Programs (the "Decision"), issued September 20, 2013
- Resolution E-4680. Approve amended On Bill Repayment (OBR) tariffs for Energy Efficiency finance pilots to comply with OP 11 of D.13-09-044, issued September 11, 2014
- Administrative Law Judge's Ruling regarding Changes to Decision 13-09-044, issued July 23, 2015
- Assigned Commissioner's Ruling Extending Pilot Programs, issued August 25, 2014
- Decision 15-06-008, Modifying Decision 13-09-044, Issued June 11, 2015
- Administrative Law Judge's Ruling Requesting Comments on Harcourt Brown & Carey Revised Recommendation Regarding Energy Efficiency Equipment Lease financing, issued July 23, 2015
- Decision 15-12-002, Modifying Decision 13-09-044, Issued December 3, 2015
- Decision 17-03-026, Decision Addressing Energy Efficiency Financing Pilot Programs Originally Ordered in Decision 13-09-044, Issued March 23, 2017
- Resolution E-4900, Adopts metrics as tools to contribute to the determination of the long-term viability of energy efficiency finance pilots, December 14, 2017

The Authority relied upon the following documents and studies (subsequently referred to collectively throughout this document as the "Studies") in proposing the adoption of these regulations:

- Opinion Dynamics and Dunsky Energy Consulting, Final CPUC REEL Pilot Impact Evaluation Considerations, December 29, 2017

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective as and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations. During the emergency regulation rulemaking process, the Authority received minimal public comments, which is discussed below.

   10091.1(dd): It was suggested that CAEATFA use the term "Approved Contractor" instead of "Participating Contractor." In considering this alternative, CAEATFA determined that this suggestion would not be a substantive, meaningful edit and did not think it would improve the Program.

   10091.1(cc)(2): In defining the subsection of the term "Low-to-Moderate Income" or "LMI" CAEATFA considered using alternative methods. CalEnviroScreen was considered and was found to be a less effective indicator of income. It uses the federal poverty thresholds which have not changed since the 1980s despite the cost of living increases and incorporates factors not related to income into its evaluation, such as proximity to freeways or stationary pollutants.

   CAEATFA also considered using the CDFI Information Mapping System which was found to be a less effective indicator of income. The somewhat outdated census data from 2006 – 2010 was used, the CDFI website was sometimes unreliable as it took a long time to load and caused the browser to freeze on occasion, and household population was not a factor, so a childless couple making $50,000 was the same as a family of six with the same household income.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive

effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

SECTION 10091.2. ELIGIBLE FINANCIAL INSTITUTION AND ELIGIBLE FINANCE LENDER APPLICATIONS TO PARTICIPATE

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   One of the primary goals of the financing program authorized by Decision 13-09-044 is to "increase the volume of (energy efficiency) EE financing to attract capital providers and attract new market participants." In order to attract capital providers to market loan products to these new market participants and increase the volume of energy efficiency financing, the role of these capital providers in the Program must be clearly set forth. This section is being amended to clarify the requirements of lenders and bring them into alignment with the CAEATFA-IOU contract, to streamline the process for financial institutions and finance lenders to participate in the Program as some of the process was overly burdensome, and to include a mechanism to address the issue of limited capital in underserved markets, which is consistent with Decision 13-09-044.

2. Specific Purpose of the Regulation.

   10091.2(a)(3): Requirements for lenders' applications to the Program were added to require that loan officer contact information be submitted to CAEATFA one time at the enrollment in the Program, as opposed to CAEATFA obtaining contact information upon each loan enrollment.

   10091.2(a)(8): Language was added to require lenders submit information regarding the intent of enrolled loans and whether the lender would hold the loan balance or sell it.

   10091.2(a)(9): Language was removed regarding examples of transactional activities that needed to be reported.

   10091.2(a)(11): Section references were updated.

   10091.2(a)(17): Language was amended to clarify that the form lenders use to include loan documents would be approved by CAEATFA and to update the terms referenced that have changed in Section 10091.1, the Program definitions.

   10091.2(a)(18)(C): The language providing that IOUs may pursue their rights against lenders was removed. Other language regarding lenders indemnifying, defending and

holding harmless CAEATFA, IOUs, and their affiliates was amended to bring the Regulations into accord with the CAEATFA-IOU contract.
10091.2(a)(20): Certifications that lenders previously provided at the time of each loan enrollment were incorporated into the lender's application to the Program. This made the lender process more efficient by having information submitted once by lenders when they are enrolled in the Program instead of on a loan by loan basis. For project pre-approvals or loan enrollment applications, the certification regarding eligible loans was amended to clarify that these loans are for eligible improvements at eligible properties, and that distributed energy will not be financed by claim-eligible principal amounts.

10091.2(a)(21): Certifications that lenders previously provided at the time of each loan enrollment were incorporated into the lender's application to the Program. This made the lender process more efficient by having information submitted once by lenders when they are enrolled in the Program instead of on a loan by loan basis.

10091.2(b): The added provision requires lenders who wish to participate in the Credit-Challenged Program to describe in detail the loan product they propose to offer and the additional benefits to Credit-Challenged Borrowers that will result from their access to an increased Loan Loss Reserve Contribution.

10091.2(d): A new subsection is added to make clear that the Authority must approve changes to a lender's product offering and that it is the responsibility of lenders to update the Authority with any changes in contact information or entity status.

General Amendment

10091.2(a)(8) and (b)(1): In referencing a borrower credit score, CAEATFA replaced the term "FICO" with "credit."

3. Necessity.

10091.2(a)(3): It was necessary to add this language regarding obtaining contact information for loan officers and staff once up-front instead of repeatedly with each individual loan, to reduce the amount of work for lenders and to gain efficiencies and make participation in the Program more attractive.

10091.2(a)(8): It was necessary to amend this subsection to include language regarding the intent of enrolled loans in order for CAEATFA to track and report on how the enrolled loans are planned to be used by lenders and streamline future reporting. It was necessary to track whether loans will be sold to best evaluate the impact on the loss reserve and the secondary market, which could indicate broader market transformation impact.

10091.2(a)(9): It was necessary to remove the references to specific fees as CAEATFA requires the lender to disclose all fees to ensure transparency, and did not want to limit the types of fees disclosed.

10091.2(a)(11): It was necessary to amend this section to update references. No substantive change was made.

10091.2(a)(17): It was necessary to amend this subsection to reflect Program operational and term modifications.

10091.2(a)(18)(C): It was necessary to amend this subsection to address legal concerns of lenders that were a barrier to Program participation and ensure consistency with the CAEATFA-IOU contract. Language stating that the IOUs may pursue rights against lenders was open-ended and caused concern for lenders regarding the circumstances under which the IOUs might choose to take action. CAEATFA worked with the IOU attorneys to strike the problematic flow-down provision from the CAEATFA-IOU contract, and to clarify, separately, that the IOUs are express beneficiaries of the lender's indemnity. The regulations were changed to reflect this and other language adjustments from the CAEATFA-IOU contract.

10091.2(a)(20-21): The change to require loan officer contact information and lender certifications of loan eligibility upon application to the Program eliminates the requirement to provide individual certifications and contact information for every loan, thus eliminating the need for lenders to provide an additional form. Amending these subsections was necessary to reduce and streamline staff's and lender's work during the loan enrollment and pre-approval process.

10091.2(b): It was necessary to add this subsection to define the requirements of lenders who wish to participate in the Credit-Challenged Program in order to adequately evaluate the program. CAEATFA introduced this new aspect of the Program to incentivize lenders to offer better financing terms to borrowers with low credit scores (as described in Section 10091.8(l)). Part of the intent of the REEL Program as authorized by the CPUC is to provide attractive financing to underserved borrowers. Borrowers with low credit scores are frequently denied credit or offered credit with very high interest rates. Early REEL implementation has shown that the Program is tending to serve borrowers with credit scores of 660 and above, hence the need for an added incentive to serve those with scores from 580 (the current Program minimum) to 640. CAEATFA already requires lenders to describe their proposed loan program and benefits to borrowers as they are receiving a credit enhancement for all enrolled loans. This provision prompts the lender to describe how receipt of an additional incentive through the Credit-Challenged Program would benefit borrowers, and how borrowers will be reached and impacted by the lender's proposed financing terms.

10091.2(d): The new subsection on lender reporting requirements was necessary to make explicit that CAEATFA must approve changes to their product offering. CAEATFA

needs to ensure that ratepayers will continue to benefit from the lender's use of a credit enhancement, providing necessary oversight of ratepayer funds.

General Amendment

10091.2(a)(8) and (b)(1): "FICO" is a proprietary product and it is more appropriate to say "credit" score instead of FICO score in including all nationally recognized statistical rating organizations.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied on the Proceeding and the rules and regulations for similar programs in California to develop application requirements.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective as and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

SECTION 10091.3. ADDITIONAL REQUIREMENTS FOR FINANCE LENDERS

There were no substantive changes to this section. Section references were updated in Section 10091.3(g)(4).

SECTION 10091.4. LOAN ELIGIBILITY AND MINIMUM UNDERWRITING CRITERIA

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   The minimum underwriting criteria establish the standard under which a participating lender can make its underwriting decisions. Modifications to the Program required CAEATFA to reconsider a few provisions to ensure an appropriate balance between risk and broadened access to financing. With the addition of the Credit-Challenged Program, it was necessary to address income verification for certain loans within the Credit-Challenged Program to ensure the borrowers have the means to make loan payments.

2. Specific Purpose of the Regulation.

   10091.4(b): Section references were updated.

   10091.4(e)(1): The income verification requirement was modified to apply in cases where borrowers with credit scores below 640 receive loans greater than $20,000.

   General Amendment

   10091.4(c) and (e): In referencing a borrower credit score, CAEATFA replaced the term "FICO" with "credit."

3. Necessity.

   10091.4(b): It was necessary to amend this section to update references. No substantive changes were made.

   10091.4(e)(1): This modification was necessary to accommodate industry standard and increase the usability of the Program. CAEATFA initially required income verification for every loan provided to borrowers with credit scores between 580 and 640 to ensure

that lenders assess the borrowers' ability to pay. Lenders provided feedback that income verification was too administratively burdensome for small loans and created little value. CAEATFA recognized this issue and modified the income verification to be limited to larger loans. The $20,000 limit was necessary to appropriately balance usability and industry standards with the level of risk to the loss reserve.

General Amendment

10091.4(c) and (e): FICO is a proprietary product and it is more appropriate to say credit score instead of FICO score in including all nationally recognized statistical rating organizations.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied upon the Proceeding in proposing the adoption of these regulations, in addition to statutory requirements.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective and less burdensome to affected business entities than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives, nor have any alternatives otherwise been identified and brought to the attention of the Authority, that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of borrower's investment in energy

upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

SECTION 10091.5. CONTRACTOR QUALIFICATION AND MANAGEMENT

There were no substantive changes to this section. Language in this section was amended as the term "Participating Contractor" replaced the term "Qualified Contractor," and to clarify terms during the phases of contractor enrollment.

SECTION 10091.6. ESTABLISHMENT AND FUNDING OF LOSS RESERVE ACCOUNTS

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   The proposed regulations intend to reduce the administrative burden on lenders to participate in the Program, align the regulations with the structural modification to the Program, consolidate the loss reserve, and streamline the loss reserve rebalance.

2. Specific Purpose of the Regulation.

   10091.6(a) and (b): These subdivisions are amended to reflect the consolidation of LLR accounts for lenders from four separate IOU accounts to one combined statewide account.

   10091.6(c): This change revises the methodology of rebalancing Loss Reserve Accounts. The frequency of the rebalancing is changed from quarterly to annually. Additionally, CAEATFA will recapture funds only for loans that have been fully paid off. Finally, CAEATFA makes an allowance if a lender has made a claim during the fiscal year when calculating the amount to recapture and will deduct the claim amount from the recapture amount.

3. Necessity.

   10091.6(a) and (b): This modification was necessary to increase the attractiveness of participating in the Program, gain efficiencies, and decrease the complexity and costs of implementation. As noted above, moving from individual IOU loss reserve accounts to statewide accounts makes the Program more attractive to lenders and more efficient to implement. The statewide accounts are much more valuable to lenders as they can use contributions received for any loan enrolled in the Program to cover claims in the event of a default, regardless of where, geographically, that default occurs. This change does

not affect the amount of funds contributed to LLR accounts; it only affects the structure of those accounts.

10091.6(c): The modification was necessary to increase the attractiveness of the Program and create efficiencies in implementation by decreasing the complexity of the process of rebalancing lenders accounts. The Authority determined that the modification from quarterly to annual rebalancing reduces the administrative burden for Program staff and lenders by reducing the amount of hours both parties must dedicate to reconciling adjustments to the loan loss reserve accounts. This methodology is consistent with the original guidance Decision 13-08-044, which requires recapture for paid-off loans. Reducing the recapture amount by any claims during the fiscal year also reflects the intention of the loss reserve accounts to serve as portfolio insurance for the lenders; well-performing loans help provide a financial cushion that mitigates the risk of a default.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective and less burdensome to affected business entities than the proposed regulations.

   For the recapture, the Authority considered not taking claims into account. After conducting financial modeling it was determined that incorporating claims into the loss reserve calculation for the rebalance made it a more effective value proposition for lenders and more reflective of the intent of the reserve.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives, nor have any alternatives otherwise been identified and brought to the attention of the Authority, that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary and, in fact, the

Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also generally have a positive effect on the state's economy and environment as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

SECTION 10091.7. OPTIONAL LOSS RESERVE RESERVATION AND PROJECT PRE-APPROVAL

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   The Authority's decision to remove forms and further streamline implementation required modifications to the loss reserve reservation and project pre-approval process.

2. Specific Purpose of the Regulation.

   10091.7(a)(3): This subsection was amended to remove a forward slash between terms and replace it with "or" for clarification.

   10091.7(a)(4): This update requires the lender to report which of the two acceptable methodologies were used to determine the borrower as low-to-moderate income. This change is consistent with the changes made to Section 10091.1(cc). An update to a reference was also made.

   ~~**10091.7(a)(10)**~~: This subsection was removed, as the certification of lender truth and accuracy of information was moved to Section 10091.2(a)(21)(A) to be addressed one time in the lender enrollment application instead of on a loan by loan basis.

   10091.7(b)(3): Language in this subsection was amended as the term "Participating Contractor" replaced the term "Qualified Contractor."

   10091.7(b)(4): Language in this subsection was removed to be consistent with the removal of the customer data release form from the Program and to support the consolidation of the lenders' loan loss reserve accounts into statewide accounts.

   10091.7(b)(5): The requirement that lenders submit a utility bill for the borrower was changed from a bill that is current within 60 days of loan enrollment to within 60 days of loan approval. This subsection was also amended to remove a forward slash between terms and replace it with "or" for clarification.

~~10091.7(b)(7)~~: This subsection was removed as the certification of lender truth and accuracy of information was moved to Section 10091.2(a)(21)(A) to be addressed one time in the lender enrollment application instead of on a loan by loan basis.

10091.7(c)(2): Language in this subsection was removed regarding individual IOU Program reservation accounts.

10091.7(f) and (g): "IOU" was removed from the text as the defined term "IOU Program Holding Account" and "IOU Program Reservation Account" were renamed to "Program Holding Account" and "Program Reservation Account."

3. Necessity.

10091.7(a)(3): It was necessary to amend this section for a grammatical reason. No substantive change was made.

10091.7(a)(4): This update was necessary for the Authority's Program analysis and reporting purposes and to ensure that data is being represented accurately. The CPUC in the Program evaluation will be looking to see how many borrowers were low-to-moderate income and how they benefitted.

~~10091.7(a)(10)~~: It was necessary to remove this subsection as the language regarding lender certification of the truth and accuracy of information was moved to Section 10091.2(a)(21)(A) to be addressed one time in the lender enrollment application instead of on a loan by loan basis. This was necessary to streamline Program operations and reduce the administrative burden on lenders.

10091.7(b)(3): It was necessary to amend the language in this subsection to be in compliance with amended Program terms as the term "Participating Contractor" replaced "Qualified Contractor."

10091.7(b)(4): It was necessary to remove language in this subsection to reflect the removal of the Customer Data Release Form from the Program.

10091.7(b)(5): Amendments to this subsection were necessary to improve lenders' interactions with their customers, as they do not have to obtain updated utility bills in cases where projects take several weeks to complete. The Authority concluded that utility bills within 60 days of project loan approval was adequate to meet this need. An additional amendment was necessary to clarify grammar.

~~10091.7(b)(7)~~: It was necessary to remove this subsection as the language regarding lender certification of the truth and accuracy of information was moved to Section 10091.2(a)(21)(A) in addressing this one time in the lender enrollment application instead of on a loan by loan basis. This was necessary to streamline Program operations and reduce administrative burden on lenders.

10091.7(c)(2): It was necessary to remove language in this subsection to be consistent with Decision 17-03-026 in which the IOUs will no longer have individual Program accounts and instead will be consolidated into one statewide IOU Program account.

10091.7(f) and (g): It was necessary to remove "IOU" from the text to be consistent with amended defined terms, in accordance with Decision 17-03-026 in which the IOUs will no longer have individual Program accounts and instead will be consolidated into one statewide IOU Program accounts.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective as and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on the businesses of contractors who perform the work. The proposed regulations may also generally have a positive effect on the state's economy and environment as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier to for homeowners to invest in energy upgrades.

SECTION 10091.8. LOAN ENROLLMENT

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   Through lessons learned during the implementation of the Program, the Authority found that the loan enrollment process was burdensome for lenders and needed to be amended to be in alignment with the other updates to the Program.

2. Specific Purpose of the Regulation.

   10091.8(b): The amendment in this subsection was to clarify that the Authority specifies the form by which lenders submit documents.

   10091.8(c): This subsection was amended to clarify that projects completed by contractors "in whole or in part" are included in the enrollment of eligible loan process. This subsection was also amended as the term "Qualified Contractor" was renamed to "Participating Contractor."

   10091.8(c)(2): The amendment in this subsection requires all contractors certifying work on the project to complete a Certificate of Completion.

   ~~**10091.8(c)(3)**~~: This subsection was amended as the Customer Data Release Form was removed as a requirement at loan enrollment.

   10091.8(c)(5): The amendments in this subsection changed the requirement of current utility bills from within 60 days of the loan application, to within 60 days of the lender's loan approval.

   ~~**10091.8(c)(7)**~~: This subsection was struck as the requirements for modeling documentation were removed from the Program.

   10091.8(d): The amendments in this subsection were to clarify that projects completed by self-installers "in whole or in part" are included in the enrollment of eligible loan process, and that the Authority specifies the form by which lenders submit documents.

   ~~**10091.8(d)(3)**~~: The Customer Data Release Form was removed from the Program as a requirement during loan enrollment.

   10091.8(e)(2): Loan officer's business name and e-mail address were removed as required data points.

   10091.8(e)(12): In referencing a borrower credit score, CAEATFA replaced the term "FICO" with "credit."

10091.8(e)(13): This subsection was amended to request indication of which of the two acceptable methodologies were used to determine low-to-moderate income of borrowers and to update a section reference.

10091.8(e)(26): These amendments add language regarding Community Choice Aggregation (CCA) rebates or incentives and change the term "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

~~**10091.8(e)(27), (e)(28), (e)(29)**~~: Loan certifications were removed from loan enrollment requirements.

10091.8(e)(27): This subsection was updated to require lenders to state whether the project had a self-installer component and/or more than one contractor.

10091.8(e)(28): The census tract of the borrower was added as a required data point.

10091.8(f)(1): The amendments made were to remove the borrower from providing project information, and to change the term "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(1)(C): These amendments add CCA rebates or incentives and change the term "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(1)(D), (f)(1)(E): These amendments change the term "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(1)(H): This subsection was amended to remove language requiring specific safety tests and added language referencing the Program's safety test requirements. An amendment was also made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(1)(H)(ii): This amendment clarified that, if applicable, a contractor's license number was required.

10091.8(f)(1)(H)(iv): This amendment clarifies that contractors approved for other unnamed IOU whole house programs are able to perform the safety test.

10091.8(f)(1)(H)(v): Requirements for the contractor's certifications were expanded to accommodate Natural Gas Appliance Testing (NGAT), a test that PG&E requires for many of its residential programs, to satisfy safety test requirements under the Program.

10091.8(f)(1)(H), (f)(2): Amendments were made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(2)(D): This subsection was amended to clarify that permits required need to be secured or in the process of being secured and marked appropriately in the Certificate of Completion.

10091.8(f)(2)(E): An amendment was made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(2)(F): This subsection was amended to remove language requiring specific safety tests and added language referencing safety test. A reference was added to the Project requirements.

10091.8(f)(3): The amendment in this subsection was to clarify that the Authority specifies the form by which lenders submit documents.

10091.8(f)(3)(C): This subsection was amended to clarify that eligible loan proceeds will be used, instead of were used, to pay for eligible improvements.

10091.8(f)(3)(D): An amendment was made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(3)(E): This subsection was amended to clarify that permits required need to be secured, or be in the process of being secured, and marked appropriately in the Certificate of Completion.

10091.8(f)(3)(F): An amendment was made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(f)(3)(I): The amendment clarifies that the borrower not a signatory is providing true and accurate information to the best of her/his knowledge.

10091.8(g), (g)(2): An amendment was made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(g)(2)(C): This subsection adds a new data point of whether the measure was a replacement or new installation.

10091.8(g)(2)(D): This subsection adds a new data point of whether the installation resulted in a fuel switch.

10091.8(g)(4)(A): The amendment was made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(g)(6): This subsection adds a new data point of whether the project added square footage to the home.

10091.8(h): Grammar was corrected.

10091.8(h)(1)(C): These amendments add language regarding CCA rebates or incentives.

10091.8(h)(2)(B): The Self-Installer Form was updated to reflect the fact that the determination for which a measure is available for self-installation is now outlined in Section 10091.10(c) of these regulations, instead of determined by the IOUs.

10091.8(h)(2)(D): The Self-Installer Form certification was updated to clarify that a self-installer may install non-EEEMs, additional related home improvements (as mentioned in Section 10091.1(oo)) and that the financing was used to pay for either EEEMs or, additional related home improvements.

10091.8(i): An amendment was made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program.

10091.8(l)(1)(A), (l)(1)(D): These subsections were updated as the loan loss reserve contribution is calculated using the new defined term "Credit Enhancement Basis."

10091.8(l)(1)(B): This subsection was updated to include a 20% loan loss reserve contribution for loans made to Credit-Challenged Borrowers, where the lender is participating in the Credit-Challenged Program, as described in Section 10091.2(b).

10091.8(l)(1)(C): This subsection was modified to clarify that in no circumstance will the loss reserve contribution be more than 20%

10091.8(l)(1)(E): These amendments add language regarding CCA rebates or incentives and update the loan loss reserve contribution calculation method to be with the new defined term "Credit Enhancement Basis."

~~**10091.8(l)(1)(D)**~~: This language was removed to reflect the consolidation of separate IOU loan loss reserve accounts into one, statewide account for each lender.

10091.8(l)(3): Language was removed to reflect that there is only one account per lender to transfer funds for the loan loss reserve contribution.

3. Necessity.

10091.8(b): The amendment in this subsection was necessary to allow for flexibility and ease in data transfer, including electronic means, and to ensure the Program could support standard industry practices.

10091.8(c): It was necessary to amend the language in this subsection to adapt to activity under the Program and ensure all contractors are enrolled in the Program and execute the appropriate certifications. Due to early marketing successes, the Program experienced borrowers hiring multiple contractors to work on completely separate aspects of the

project, such as air sealing and windows. Also, lenders have encountered situations in which a borrower wanted to hire a contractor for part of the project, but complete a portion themselves as a self-installer. The amendment was necessary to ensure that all contractors working on the project certify their work. It was also necessary to amend this subsection to update a Program defined term.

10091.8(c)(2): It was necessary to clarify that each contractor certifying work on the project needs to submit a Certificate of Completion to ensure accurate installations and reporting.

~~**10091.8(c)(3)**~~: It was necessary to strike the language in this subsection as the Customer Data Release Form was removed from the Program in the interest of streamlining the Program for all parties, as the form created an operational burden while yielding little data of value. CAEATFA and the CPUC determined that data on customer energy usage can be gathered through other channels.

10091.8(c)(5): Changing the requirement for current utility bills to be current at the time of lender approval prevents lenders from having to obtain additional copies of the utility bill from borrowers. The Authority determined that a utility bill within 60 days of the loan approval would be adequate for verifying IOU service. This change was necessary to create efficiencies and streamline Program participation, and better accommodate the industry practices and timetables.

~~**10091.8(c)(7)**~~: It was necessary to remove this subsection as modeling was no longer applicable to measure installation. As Decision 17-03-026 gave CAEATFA the authority to manage the EEEMs, CAEATFA removed the modeling requirement from the Program as some contractors did not have the capacity to model energy savings of projects, and the energy savings data could be captured by the home meter instead. This allows for broader access of contractors and more projects completed in the Program.

10091.8(d): The amendments in this subsection were necessary as lenders have encountered situations in which a borrower wanted to hire a contractor for part of the project, but complete a portion themselves as a self-installer. The other amendment was necessary to allow for flexibility and ease in data transfer, including by electronic means, and to ensure the Program could support standard industry practices.

~~**10091.8(d)(3)**~~: It was necessary to strike the language in this subsection as the Customer Data Release Form was removed from the Program in the interest of streamlining the Program for all parties, as the form created an operational burden while yielding little data of value. CAEATFA and the CPUC determined that data on customer energy usage can be gathered through other channels.

10091.8(e)(2): This amendment was necessary for consistency with proposed efficiencies in Program implementation, specifically to collect lender's contact information at the time the lender applies to participate in the Program, and not on a loan by loan basis.

10091.8(e)(12): FICO is a proprietary product and it is more appropriate to say credit score instead of FICO score in including all nationally recognized statistical rating organizations.

10091.8(e)(13): This amendment was necessary as CAEATFA needs to understand the methodology in determining whether a borrower is low-to-moderate income in order to perform accurate analysis and reporting as to whom the Program is serving. This will be included in the CPUC evaluation of the Program. It was necessary to update a section reference.

10091.8(e)(26): These amendments were necessary to include CCA as not only an IOU or REN (Regional Energy Network) provide energy and offer energy rebates or incentives and to update a Program defined term.

~~**10091.8(e)(27), (28) and (29)**~~: The removal of these subsections were necessary as lenders' applications to the Program were changed to collect certifications at the time of lender enrollment in the Program rather than on a loan by loan basis. This was necessary to streamline the Program operations and reduce administrative burden on lenders.

10091.8(e)(27): As described above in Section 10091.8(c)-(d), the Program is enrolling more loans for projects that include both a self-installer and a contractor or multiple contractors completing work. It was necessary to amend this subsection to include this data point to assist CAEATFA in better understanding the types of projects enrolled and ensuring that all required forms for the projects have been submitted.

10091.8(e)(28): The addition of this subsection was necessary so that CAEATFA can conduct analysis as to whom the Program is serving, and to accommodate the modification to allow lenders to determine low-to-moderate eligibility by looking at the income of a borrower's census tract.

10091.8(f)(1): It was necessary to amend this subsection to streamline Program operations and clarify who would provide information to CAEATFA. It was also necessary to amend this subsection to update a Program defined term.

10091.8(f)(1)(C): These amendments were necessary to include CCA as not only an IOU or REN provide energy and offer energy rebates or incentives, and to update a Program defined term.

10091.8(f)(1)(D), (f)(1)(E): Amendments were necessary to update a Program defined term.

10091.8(f)(1)(H): It was necessary to amend this subsection to allow for current industry safety testing standards and to update a Program defined term.

10091.8(f)(1)(H)(ii): This amendment was necessary to be in alignment with other Program requirements, as it is not required to be a licensed contractor to perform the safety test as described in Section 10091.10(i).

10091.8(f)(1)(H)(iv): This amendment was necessary to include any IOU whole home programs as they change. For a contractor to be approved in an IOU program, training is required.

10091.8(f)(1)(H)(v): The addition of this subsection was necessary to include required information regarding the NGAT as it is an allowable method of testing as defined in Section 10091.10(i)(3).

10091.8(f)(1)(H), (f)(2): It was necessary to amend these subsections to update a Program defined term.

10091.8(f)(2)(D): As permits can take time to procure and to allow uptake in the Program, this amendment was necessary to allow contractors to move forward with Program forms without being delayed by the local government process, which can add delays, and to better align with financing timelines. This was necessary to streamline processes under the Program.

10091.8(f)(2)(E): It was necessary to amend these subsections to update a Program defined term.

10091.8(f)(2)(F): It was necessary to amend this subsection to incorporate current industry safety testing standards and to add a section reference.

10091.8(f)(3): The amendment in this subsection was necessary to allow for flexibility and ease in data transfer, including by electronic means, and to ensure the Program could support standard industry practices.

10091.8(f)(3)(C): This amendment was necessary to more accurately reflect the stage in the process, which is before loan enrollment, prior to approving a loan loss reserve contribution to receive certification as to whether the borrower will be using the eligible loan proceeds to pay for eligible improvements in meeting the Program goals and purpose.

10091.8(f)(3)(D): It was necessary to amend this subsections to update a Program defined term.

10091.8(f)(3)(E): It was necessary to adjust the borrower's certifications as CAEATFA staff recognized the reality that borrowers were still in the process of securing permits when they sign their certifications and, additionally, that they likely have not yet received funds from the lender at the time they sign their certifications.

10091.8(f)(3)(F): It was necessary to amend this subsections to update a Program defined term.

10091.8(f)(3)(I): It was necessary to remove signatory as the borrower is the responsible party for the lender loan.

10091.8(g), (g)(2): It was necessary to amend this subsections to update a Program defined term.

10091.8(g)(2)(C), (g)(2)(D), (g)(6): The CPUC determined that these new data points in the Itemized Invoice were necessary in providing additional and pertinent information for thorough Program evaluation and determination of energy savings.

10091.8(g)(4)(A): It was necessary to amend this subsection to update a Program defined term.

10091.8(h): This grammar update is necessary to be consistent throughout the text. No substantive change was made.

10091.8(h)(1)(C): This amendment was necessary to include CCA as not only an IOU or REN provide energy and offer energy rebates or incentives.

10091.8(h)(2)(B): It was necessary to update the Self-Installer Form to reflect the provision of the regulations that now governs measures available for self-installation.

10091.8(h)(2)(D): Borrowers were requesting to install additional measures and this clarifies that borrowers wishing to self-install non-EEEM home improvements are able to do so. These modifications are necessary for consistency in Program implementation.

10091.8(i): It was necessary to amend this subsections to update a Program defined term.

10091.8(l)(1)(A), (l)(1)(D): It was necessary to update these subsections with the new defined term "Credit Enhancement Basis" as it clarifies how CAEATFA calculates the loan loss reserve contributions for lenders. These modifications are required for consistency and clarity.

10091.8(l)(1)(B): Updating this subsection was necessary to include the addition of a 20% loan loss reserve contribution for borrowers in the Credit-Challenged Program. This provides an incentive for lenders to improve financing terms for Credit-Challenged Borrowers.

10091.8(l)(1)(C): Because some loans may be made to a borrower who is both low-to-moderate income and credit-challenged, CAEATFA clarifies that the loss reserve contribution is not cumulative and will be a maximum of 20%, which is necessary to ensure that ratepayer funds are leveraged appropriately and prudently.

10091.8(l)(1)(E): This amendment was necessary to include CCA as not only an IOU or REN provide energy and offer energy rebates or incentives, and to reflect the change that the newly defined term "Credit Enhancement Basis" is a necessary data point in calculating the loan loss reserve contributions.

~~**10091.8(l)(1)(D)**~~: It was necessary to remove this language to update this subsection to reflect consolidation of loan loss reserve accounts into statewide accounts as previously discussed.

10091.8(l)(3): This amendment was necessary to reflect consolidation of loan loss reserve accounts into statewide accounts as previously discussed.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied on experts from both the public and private sectors and rules and regulations for similar programs in California, particularly those administered by the utilities or local governments, to develop these regulations. The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective as and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives, nor have any alternatives otherwise been identified and brought to the attention of the Authority, that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also generally have a positive effect on the state's economy and environment as a result of the increased

economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

SECTION 10091.9. CLAIMS

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   Through the implementation of the Program, the Authority identified several improvements to strengthen the Program implementation and expand its impact. The language in this section needed to be amended to be in alignment with the other updates to the Program.

2. Specific Purpose of the Regulation.

   General changes to reflect the consolidation of LLR accounts

   10091.9~~(a)(1),~~ (d), (f)(1), ~~(f)(3)~~: Sections were removed and language was updated to reflect the consolidation of IOU jurisdictional LLR accounts into single, statewide LLR accounts for lenders. Claims will now be paid out from the lender's single LLR account, rather than proportionally by the corresponding IOU LLR account. In addition, there was a grammar change.

3. Necessity.

   General changes to reflect the consolidation of LLR accounts

   10091.9~~(a)(1),~~ (d), (f)(1), ~~(f)(3)~~: It was necessary to remove sections and update language for consistency with the new account structure. As discussed above, the consolidation of LLR accounts provides lenders with a much more valuable credit enhancement to further incentivize participation in the Program. An update to punctuation was also necessary.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

SECTION 10091.10. PROJECT REQUIREMENTS

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   The Proceeding does not specify the detailed requirements projects must meet to be approved as eligible for Enrolled Loans in the Program. Through the implementation of the Program, the Authority identified several improvements to strengthen the Program implementation and expand its impact. The language in this section needed to be amended to be in alignment with the other updates to the Program.

2. Specific Purpose of the Regulation.

10091.10(b): CCA was added to the list of incentive and rebate providers along with IOU and REN. EEEM eligibility and the distinction between projects that participate in rebate and incentive programs and those that do not is no longer necessary and language was struck because CAEATFA now has the authority to establish the EEEMs list.

10091.10(c), (c)(1), (c)(2), (c)(3): These subsections were added to describe the criteria by which measures are eligible for self-installation and do not require installation by a contractor. Those that have not been identified as eligible for self-installation must be installed by a contractor. It also allows other improvements (non EEEMs) to be self-installed.

10091.10(d)(1): This subsection was added to further define criteria for self-installation. With a few exceptions, measures must be electric and fall into one of several select categories of appliances.

10091.10(d)(2)(A): This subsection was added to include "Dishwashers" and "portable air purifier or air cleaner," and other various simple measures, to the list measures eligible for self-install as CAEATFA is adding both measures to the list of EEEMs. "Cooking Products and Food Service Equipment" was removed from the measure list as there were no EEEMs offered that fit into this category.

10091.10(d)(2)(B): This subsection was added to clarify that smart thermostats and other user display interfaces are eligible for self-installation.

10091.10(d)(2)(C): This subsection adds portable air purifier or air cleaner to the criteria for self-installation.

10091.10(e), (f), (g): These sections were updated as the term "Qualified Contractor" was renamed to "Participating Contractor."

~~**10091.10(f)**~~: This section was removed as the language was too restrictive and not current with industry standards.

10091.10(h): This section was amended to clarify that a project which includes three EEEMs requires a safety test to be performed, not specifically a CAZ test.

10091.10(i): This subsection was amended to describe acceptable safety testing and include NGAT testing or another industry standard safety test as an acceptable form of test, as well as Combustion Appliance Safety or Combustion Appliance Zone tests.

10091.10(i)(1): Language in this subsection was added to include contractors that are approved in IOU, REN or CCA whole house retrofit programs as qualified to perform safety tests.

10091.10(i)(2): Language in this subsection was added to include contractors certified by the Building Performance Institute in certain industry areas as qualified to perform safety tests.

10091.10(i)(3): Language in this subsection was added to include contractors certified through NGAT as qualified to perform safety tests.

10091.10(j): This update clarifies that if the measures installed by multiple contractors together trigger the safety test requirement, the contractor that installed the triggering measure must arrange the safety test.

10091.10(m): This section was amended to include projects that received a CCA rebate or incentives in the list of projects that will not be randomly field verified. This section is also being updated as the term "Qualified Contractor" was renamed to "Participating Contractor."

10091.10(m)(1): This subsection was amended to remove language requiring specific safety tests and added language referencing safety tests without specificity. An amendment was also made to update references.

10091.10(m)(1)(A), (m)(1)(B): Amendments were made to change "Qualified Contractor" to "Participating Contractor" as it was renamed in the Program definitions, and to update references to other sections.

10091.10(m)(1)(C), (m)(1)(D): These sections were updated as the term "Qualified Contractor" was renamed to "Participating Contractor."

10091.10(m)(2): This subsection was amended to remove language requiring specific safety tests and added language referencing safety tests without specificity. An amendment was also made to update the term "Qualified Contractor" as it was renamed to "Participating Contractor."

10091.10(n): Amendments made were to clarify a reference within the subsection and to update the term "Qualified Contractor" as it was renamed to "Participating Contractor."

10091.10(o): This new sub-section provides a list of EEEMs for the Program, identifies fuel source eligibility, establishing efficiency requirement, and instructs participants that if there is a difference in Title 24 requirements and the EEEMs table, Title 24 supersedes the EEEMs table.

3. <u>Necessity</u>.

10091.10(b): This Section had previously specified that finance-only projects (those not receiving an IOU rebate or incentive) still had to follow the IOU's requirements for self-installation, bundling of measures and modeling. Most of this language is no longer

applicable since Decision 17-03-026 allowed the Authority to remove bundling and modeling requirements. While the phrasing in this section that required finance-only projects to obtain a permit is still accurate, the permitting requirement is captured elsewhere in the regulations and so was also struck. This modification was necessary to ensure Program uniformity with CAEATFA establishing the EEEMs list.

10091.10(c), (c)(1), (c)(2), (c)(3): It was necessary to add these subsections to specify the criteria for self-installation eligibility as CAEATFA is now the entity to determine which measures are eligible for installation without a contractor.

10091.10(d), (d)(1), (d)(2), (d)(2)(A), (d)(2)(B), (d)(2)(C): It was necessary to add these subsections to specify criteria of measures for self-installation which are simple enough that: 1) installation does not pose a safety hazard to the occupants of the residence, and 2) there is low risk that improper installation will result in reduced energy savings. These restrictions are necessary to ensure appropriate consumer protection and safety under the Program, and appropriate use of rate-payer funds.

10091.10(e), (f), (g): It was necessary to amend this subsection to update a change in name of a Program defined term.

~~**10091.10(f)**~~: It was necessary to remove this language as the safety test criteria was too restrictive and not current with industry standards. Section 10091.10(i) was updated to incorporate safety test and current standards.

10091.10(h): The amendments were necessary to remove confusion as to whether a safety test must be performed.

10091.10(i): These changes are necessary to incorporate standard industry practices into the Program, remove unanticipated hurdles, and increase its effectiveness. Allowing for the NGAT to be used in safety testing brings the Program in line with standard industry practices. Subsequent to the launch of the Program, CAEATFA learned that NGAT was a method of safety testing widely used by PG&E. This change makes allowance for the inclusion of NGAT as well as for any other standard safety testing that may be unknown to staff or becomes newly adopted within the industry. This modification is necessary to increase the impact of the Program.

10091.10(i)(1), (i)(2), (i)(3): These additions are necessary to allow contractors approved or certified in well-established and highly regarded industry organizations to perform safety tests, and accommodate industry standards. To be approved or certified in these organizations, contractors have to complete training and carry out best practices. The safety tests are necessary to address consumer safety.

10091.10(j): The Program has safety test requirements that are triggered when particular EEEMs are installed on a project, per Section 10091.10(h). During the first year of implementation of the Program, project applications were seen in which more than one contractor takes part without any single contractor acting as the "General Contractor" for

the project as staff initially anticipated, and safety test were not performed. Therefore, CAEATFA finds it necessary to define responsibility for arranging the safety test.

10091.10(m): These amendments were necessary to include CCA as not only an IOU or REN provide energy and offer energy rebates or incentives and to update a Program defined term.

10091.10(m)(1): It was necessary to amend this subsection to allow for expanded safety testing standards and to update references in the regulations text.

10091.10(m)(1)(A), (m)(1)(B): It was necessary to amend this subsection to update a change in name of a Program defined term and to update references in the regulations text.

10091.10(m)(1)(C), (m)(1)(D): It was necessary to amend this subsection to update a change in name of a Program defined term.

10091.10(m)(2): It was necessary to amend this subsection to allow for current industry safety testing standards and to update a change in name of a Program defined term.

10091.10(n): Amendments were necessary for a grammatical reason as well as to update a change in name of a Program defined term.

10091.10(o): The addition of this subsection was necessary to establish the EEEMs list as the CPUC authorized CAEATFA in Decision 17-03-026 instead of the IOUs. Decision 17-03-026 also allowed financing of to-code measures through the Program. One statewide list was necessary to reduce complexity and streamline the Program, which will increase Program participation. CAEATFA decided that publishing the list in the regulations was the most effective way to allow for public engagement and comment on the list of EEEMs, following a lengthy stakeholder engagement and deliberative process. In that process, CAEATFA consulted home energy retrofit contractors participating in the Program, California Energy Commission, IOU Program staff, and several energy efficiency industry experts.

In creating the list of eligible measures, CAEATFA considered measures identified by the IOUs as energy saving measures, measures that are widely accepted across the industry to save energy in a variety of contexts, and common home appliances expected to have demand under the Program. For the most part, CAEATFA allows the financing of measures to-code, in line with the policy direction of AB 802 (Williams, 2015). The vast majority of California homes are not up to current building code standards and there are energy savings to be realized when these customers take on a retrofit to bring their home up to current building code. Energy Star was chosen to represent a higher-than-code standard for appliances that are widely, easily available on the market and comparable in cost as energy efficiency is the goal of the Program. Energy Star is a program managed by the U.S. Environmental Protection Agency and the U.S.

Department of Energy, and is recognized as a credible industry expert on staying abreast of energy efficiency products.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied on IOU staff, the California Energy Commission, and industry experts and selected measures commonly used in the industry. The Authority relied upon the Proceeding in proposing the adoption of these regulations and also the following:

   - California Public Utility Commission, Energy Efficiency Policy Manual, Version 5, July 2013
   - California Public Utility Commission, Database for Energy Efficient Resources, http://www.deeresources.com/index.php/deer-versions/readi

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority considered allowing self-installers to install gas measures and determined that created an inappropriate health and safety risk. The Authority also considered keeping some measures to code, but given the goal of energy savings the Authority established above code standards when readily available and similar in cost in the market.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier to for homeowners to invest in energy upgrades.

SECTION 10091.11. REPORTING

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   CAEATFA has been receiving monthly reports from lenders regarding outstanding information of the enrolled loans. The pre-existing reporting did not include whether the loans, or any part of the loans, were sold or transferred. There was no requirement for lenders to report on any securitization and structuring of the sale or transfer of the enrolled loans nor how those loans function in the secondary market.

2. Specific Purpose of the Regulation.

   10091.11(a)(1)(J): This subsection outlines the information that lenders are required to submit in monthly reports to the Authority regarding the sale or transfer of any Enrolled Loan under the Program.

3. Necessity.

   10091.11(a)(1)(J): This provision was necessary to identify information regarding the sale or transfer of enrolled loans required for lenders to include in their monthly reports. Lenders are already reporting on a monthly basis (10091.11(a)), and these new data points in the monthly reporting are necessary for the Authority to adequately track securitized loan performance over the life of the loan, provide timely and transparent data to the public as required by Decision 13-09-044, and assess to what extent these efforts are transforming the market, a goal identified in Decision 13-09-044.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

   The Authority relied on experts from both the public and private sectors and rules and regulations for similar programs in California, particularly those administered by the utilities or local governments, to develop these regulations. The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

   The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

   The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also generally have a positive effect on the state's economy and environment as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier to for homeowners to invest in energy upgrades.

SECTION 10091.12. SALE OF ENROLLED LOANS

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   Through the implementation of the Program, the Authority found that the language in this section needed to be amended to create efficiencies and less burdensome reporting structure for participating lenders.

2. Specific Purpose of the Regulation.

   10091.12: This section was amended to clarify that lenders may sell, transfer or assign associated repayments of an enrolled loan or a portfolio of enrolled loans in whole or in part.

   10091.12(a): This subsection was amended to remove language that created confusion for participating lenders.

   10091.12(a)(3): This subsection was amended to add language requiring a lender to report monthly on sales, transfers or assignments of loans or to report once if the loans will be sold in the same manner to the same purchaser.

3. Necessity.

10091.12: This amendment was necessary as the Authority, as stewards over ratepayer funds, needs to know the entities benefitting from the Program and how the Program is being utilized in the secondary market to assess the Program's ability to reach the goals identified in Decision 13-09-044.

10091.12(a): It was necessary to amend this subsection as the language was too confusing to lenders.

10091.12(a)(3): This amendment was necessary to streamline the reporting process and to not overly burden the lenders. Lenders are already reporting on a monthly basis (10091.11(a)), and these new data points in the monthly reporting are in alignment with the amendment in 10091.11(a)(1)(J).

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

The Authority finds that no alternatives it has considered would be more effective in carrying out the purpose of the proposed regulations, or would be as effective and less burdensome to affected borrowers, financial lenders, or contractors than the proposed regulations.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive

effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier to for homeowners to invest in energy upgrades.

SECTION 10091.13. TERMINATION AND WITHDRAWAL

There were no substantive changes to this section. Section references were corrected to be in numerical order.

SECTION 10091.14. REPORTS OF REGULATORYAGENCIES

There were no substantive changes to this section. An amendment was made to reflect that "Participating Contractor" was renamed "Qualified Contractor" as a Program defined term.

SECTION 10091.15. CALIFORNIA HUB FOR ENERGY EFFICIENCY FINANCING PRIVACY RIGHTS DISCLOSURE

1. Public Problem, Administrative Requirement, or Other Condition or Circumstance that the Regulation is Intended to Address.

   State and federal laws protect the individual's right to privacy regarding personal information. As a result of borrower participation in the Program, the Authority may come into possession of personal information which will be maintained for the life of the loan. As the Program will be evaluated by the CPUC in part based on energy savings, it is necessary to amend this section to include that energy savings data may be collected. Also for Program evaluation, it is necessary to be able to contact borrowers requesting them to complete surveys or to arrange home visits.

2. Specific Purpose of the Regulation.

   10091.15: This section details the privacy disclosure form. It was amended for grammatical reasons and otherwise as follows:
   - Requires a contact phone number of the borrower.
   - Removes reference to usernames and passwords.
   - Adds the data point "Energy savings data from your project."

- Changes the phrase "The information will be combined…" to "The information may be combined…" to reflect the possibility that not every borrower's energy usage data will be combined with their loan data.
- Explains that the borrower may be contacted by and their contact information shared with CAEATFA, IOUs, CPUC, or individuals acting on their behalf, or the borrower's information may be provided to the CPUC's Program Evaluation team to invite the borrower to participate in surveys for the Program evaluation.

3. Necessity.

10091.15: It was necessary to amend this section to have proper grammar and for the following reasons:

- To be able to have a means to contact borrowers as part of standard evaluation practices of the IOUs and CPUC.
- Changes to the references to username and password reflect updates to the CAEATFA-IOU contract.
- To include an important new data point as energy savings is a goal of the Program, which is intended to be made public under Decision 13-09-044.
- Makes it more transparent that data that is ultimately shared (and derived from consumption data) may be energy savings data.
- Through outreach to borrowers, CAEATFA, the CPUC, and those acting on their behalf need to be able to gather data on the effectiveness of the Program's approach to energy efficiency. Surveys and site-visits are necessary for the CPUC's evaluation of the Program.

4. Technical, Theoretical, and/or Empirical Studies, Reports, or Documents.

The Authority relied upon the Proceeding in proposing the adoption of these regulations.

5. Alternatives to the Regulations Considered by the Agency and the Agency's Reasons for Rejecting Those Alternatives.

There are no alternatives to these regulations that the Authority considered as it believes it is obligated to provide this disclosure to all borrower's under the Program, and collect the necessary data as required and envisioned under the Proceeding.

6. Alternatives to the Proposed Regulatory Action that Would Lessen any Adverse Impact on Small Business.

The Authority has not identified any alternatives nor have any alternatives otherwise been identified and brought to the attention of the Authority that would lessen any adverse impact on small businesses. Program participation is voluntary.

7. Evidence Supporting Finding of No Significant Adverse Economic Impact on any Business.

   The Authority has determined that there will be no significant adverse economic impact on any California businesses. Participation in the Program is voluntary, and in fact, the Authority finds that the proposed regulations may have a positive effect on businesses of contractors who perform the work. The proposed regulations may also have a positive effect on the state's economy and environment generally as a result of the increased economic activity and energy conservation as a result of the borrower's investment in energy upgrades to their homes. Studies have cited the need for lower-cost financing as a barrier for homeowners to invest in energy upgrades.

ECONOMIC IMPACT ASSESSMENT

Creation or Elimination of Jobs and Businesses within the State of California

The regulations are designed to establish the Program structure, provisions, and define the type and level of financial assistance lenders may obtain if accepted to participate in the Program. These regulations will be carried out by existing staff, participation in the Program is voluntary, and these regulations do not place a burden on businesses within California, therefore these regulations will not eliminate jobs nor businesses within the state of California.

The Authority finds that the proposed regulations will have a positive effect on the state's economy and environment generally as a result of the anticipated increased economic activity and energy conservation as a result of the borrower investments in energy upgrades to their homes. Studies have cited the need for lower cost financing as a main impediment to increasing the number of homeowners investing in energy upgrades, therefore, the Authority finds there would be increased economic activity for certain businesses who manufacture energy efficiency measures, and of contractors who conduct energy efficiency retrofits or conduct safety tests.

The Authority finds that these regulations may have a positive impact in the creation of jobs within California, particularly those commonly referred to as "green jobs," and may help expand the number of employers currently doing business within the state, particularly energy efficiency retrofit contractor companies. The Authority has not estimated the number of direct and indirect green jobs that may be created as a result of this Program.

Expansion of Businesses Within the State of California

Studies have cited the need for lower cost financing as a main impediment to increasing the number of homeowners investing in energy upgrades, therefore, the Authority finds there may be increased economic activity for certain businesses of contractors who conduct energy efficiency retrofits and safety tests, thus potentially expanding existing businesses.

Benefits of the Regulations

As the amendments make the Program more attractive to lenders, contractors and borrowers for residential energy efficiency retrofit financing, there may be a reduction in energy consumption and green-house gas emissions and an improvement of air quality. This could benefit the state's environment and residents' health. These regulations will have no impact on worker safety.

California has developed several aggressive energy generation goals (such as to double the energy efficiency savings in electricity and natural gas final end uses of retail customers through energy efficiency and conservation, increasing energy efficiency by 50% by 2030) as well as goals for energy reduction and conservation. A series of legislation passed in recent years, including Assembly Bill 32 (Nuñez, Chapter 488, Statutes of 2006), Assembly Bill 758 (Skinner, Chapter 470, Statutes of 2009), and Senate Bill 350 (De León, Chapter 547, Statutes of 2015), has addressed various energy efficiency issues and provided direction for establishing ambitious energy goals for the state.

The Program aims to increase borrower access to financing and encourage an uptake in energy efficiency retrofits by offering an incentive to lenders that will help the State reach its energy efficiency and climate goals. The amendments to the regulations are designed to streamline, clarify and expand the Program. The amendments broadly reduced the number of forms, certifications and other operational hurdles in the Program; provided clarification on eligibility questions that arose during initial operations; made the credit enhancement more attractive to lenders by consolidating four utility-specific loss reserve accounts into a single, statewide account; added the voluntary Credit-Challenged Program to incentivize lending to borrowers with low credit scores; added a list of Eligible Energy Efficiency Measures established by CAEATFA to create a statewide, streamlined, simple list of measures; added the option of using income of the census tract to determine Low-to-Moderate Income as it was found by CAEATFA impractical for participating lenders to try and ascertain family size as the sole method of determination; and updated the methodology for rebalancing of accounts to allow for recapturing of the original contribution that was made for a particular loan at the end of the fiscal year in which the loan was paid in full, as well as reducing the recapture amount.